

**NIKO RESOURCES LTD.**  
**Calgary, Alberta, Canada**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**  
**September 11, 2008**

**TO THE HOLDERS OF COMMON SHARES OF NIKO RESOURCES LTD.:.**

**Notice is hereby given** that an annual and special meeting (the "Meeting") of holders of common shares (the "Shareholders") of Niko Resources Ltd. (the "Corporation") will be held at the Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, on September 11, 2008 at 3:00 p.m. (Calgary time) for the following purposes:

1. to receive and consider the consolidated financial statements of the Corporation for the fiscal year ended March 31, 2008 and the report of the auditors thereon;
2. to fix the number of directors to be elected at the Meeting at six;
3. to elect directors of the Corporation for the ensuing year;
4. to appoint auditors for the ensuing year at a remuneration to be determined by the board of directors;
5. to consider and, if thought fit, approve a resolution to amend the Corporation's stock option plan, as described in the Management Information Circular and Proxy Statement of the Corporation dated July 28, 2008 (the "Information Circular");
6. to consider and, if thought fit, approve the continuation of the Corporation's shareholder rights plan agreement and its amendment and restatement; and
7. to transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

Particulars of the matters referred to above are set forth in the Information Circular.

Only Shareholders of record at the close of business on July 28, 2008 will be entitled to receive notice of, and to vote at, the Meeting, except that a transferee of common shares after such record date may, not later than 10 days before the Meeting, establish a right to vote by providing evidence of ownership of common shares and make a request to Computershare Trust Company of Canada that his or her name be placed on the shareholder list for the meeting.

A Shareholder may attend the Meeting and vote in person or may appoint another person (who need not be a Shareholder) as his or her proxy to attend and vote in his or her place. A form of proxy for use at the Meeting or any adjournment thereof is enclosed with this Notice. Shareholders who are unable to attend the Meeting in person are requested to date, sign and return the enclosed instrument of proxy to the Corporation's transfer agent, Computershare Trust Company of Canada, at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. A proxy will not be valid unless it is received by Computershare Trust Company of Canada no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof.

Dated at Calgary, Alberta, this 28<sup>th</sup> day of July, 2008.

**BY ORDER OF THE BOARD OF DIRECTORS**

Per: (signed) "Edward S. Sampson"  
Edward S. Sampson  
Executive Chairman, Chief Executive  
Officer, President and Director

**July 28, 2008**

# **NIKO RESOURCES LTD.**

**Calgary, Alberta**

**Canada**

## **MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT**

**FOR THE**

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**September 11, 2008**

## **GENERAL PROXY INFORMATION**

### **Solicitation of Proxies by Management**

This management information circular and proxy statement (the "Information Circular") is being furnished by the management of Niko Resources Ltd. ("Niko" or the "Corporation") in connection with the solicitation of proxies by management of the Corporation for use at the annual and special meeting (the "Meeting") of holders of Common shares (the "Shareholders") of the Corporation (the "Common shares") to be held at the Petroleum Club, 319 – 5 Avenue S.W., Calgary, Alberta, at 3:00 p.m. (Calgary time) on September 11, 2008, and any adjournments thereof, for the purposes set forth in the Notice of Meeting accompanying this Information Circular (the "Notice"). The information contained in this Information Circular is given as of July 28, 2008 except where elsewhere indicated.

The head and executive office of the Corporation is located at 4600, 400 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2 and its telephone number is (403) 262-1020.

It is expected that the solicitation of proxies hereby will be primarily by mail or personal solicitations by the officers or employees of the Corporation, at no additional compensation. The costs of solicitation by management will be borne by the Corporation.

### **Appointment of Proxies**

Shareholders who wish to be represented at the Meeting by proxy must complete and deliver their proxies to the Corporation's transfer agent, Computershare Trust Company of Canada ("Computershare"), 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. In order to be valid, proxies must be received by Computershare no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof.

The persons named as proxy holders in the accompanying instrument of proxy are directors and/or officers of the Corporation. A Shareholder desiring to appoint a person (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the accompanying instrument of proxy may do so either by striking out the names provided and inserting such person's name in the blank space provided in the instrument of proxy or by completing another instrument of proxy and, in either case, delivering the completed proxy to the office of Computershare at the address referred to above within the time specified above for the deposit of proxies.

## **Revocation of Proxies**

A Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is voted, such person may revoke the proxy and vote in person. In addition to revocation in any other matter permitted by law, a proxy may be revoked by: (a) the Shareholder signing another proxy bearing a later date than the first proxy and delivering such subsequent proxy to Computershare at the address referred to above and within the time specified above for the deposit of proxies; or (b) an instrument in writing by such Shareholder deposited either with Computershare at the address referred to above or with the Chairman of the Meeting, at any time prior to the Meeting or any adjournment thereof.

## **Signature of Proxy**

The accompanying instrument of proxy as well as any instrument revoking the same shall be executed by the Shareholder or his attorney authorized in writing, or if a Shareholder is a corporation, the proxy or instrument should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. Such proxy or instrument signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his signature and should be accompanied by the appropriate documentation evidencing qualification and authority to act (unless such documentation has been previously filed with the Corporation).

## **Voting of Proxies**

All Common shares represented at the Meeting by properly executed proxies will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for, and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy the Common shares represented by the proxy will be voted or withheld from voting in accordance with such specification. **In the absence of such specification, such Common shares will be voted "FOR" fixing the number of directors to be elected at six, "FOR" the election as directors of those nominees of management listed in the Information Circular, "FOR" the appointment of KPMG LLP, Chartered Accountants as the auditors of the Corporation, "FOR" the amending the Corporation's stock option plan as described in the Information Circular and "FOR" the continuation of the Corporation's shareholder rights plan.**

## **Exercise of Discretion by Proxies**

**The accompanying instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the proxy and Notice and with respect to other matters which may properly come before the Meeting. At the time of printing this Information Circular, management of the Corporation knows of no such amendment to or variation of other matters to come before the Meeting other than the matters referred to in the Notice.**

## **Voting Shares**

As of July 28, 2008, there were 49,178,533 Common shares outstanding, each carrying the right to one vote per share at the Meeting. Only Shareholders of record on July 28, 2008 are entitled to notice of, and to vote at, the Meeting except that a transferee of Common shares after July 28, 2008 may, not later than 10 days before the Meeting, establish a right to vote by providing evidence of ownership of Common shares and making a request to Computershare that the transferee's name be placed on the Shareholder list for the Meeting.

## Principal Holders of Voting Shares

To the knowledge of the directors and executive officers of the Corporation, as at July 28, 2008, the only persons or companies beneficially owning, directly or indirectly, or exercising control or direction over, more than 10% of the Common shares are as listed below:

Name and municipal address	Type of Ownership	Number of Common shares	Percentage of issued and outstanding shares
Edward S. Sampson Alberta, Canada	Direct and Indirect	4,044,489	8.2%
Edward S. Sampson as executor of the estate of Robert N. Ohlson Alberta, Canada	Control or Direction <sup>(1)</sup>	2,376,229	4.8%
Total	Direct and Indirect and Control or Direction	6,420,718	13.0%

**Note:**

- (1) Robert N. Ohlson was a director and officer of Niko until November 24, 2004, when he passed away. Edward S. Sampson is the executor of Mr. Ohlson's estate. Mr. Ohlson either owned these shares, directly or indirectly, or had control or direction over them at the time of his passing. As a result, Mr. Sampson, in his role as executor of Mr. Ohlson's estate, has control or direction over these shares.

The information contained in the above table is based partly on information publicly filed with the Alberta Securities Commission and partly on information received by the Corporation from the above Shareholders.

## Advice to Beneficial Holders of Securities

**The information set forth in this section is of significant importance to many public Shareholders of the Corporation, as a substantial number of the public Shareholders of the Corporation do not hold Common shares in their own names.** Shareholders who do not hold their Common shares in their own names (referred to in this Information Circular as "Beneficial Shareholders") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common shares can be recognized and acted upon at the Meeting. If Common shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those shares will not be registered in the Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting for their clients. The directors and officers of the Corporation do not know for whose benefit the shares registered in the name of CDS & Co. or of other brokers/agents are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge"). Broadridge typically mails voting instruction forms ("VIFs") to the Beneficial

Shareholders and asks Beneficial Shareholders to return the VIF to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common shares to be represented at the Meeting. **A Beneficial Shareholder receiving a VIF cannot use that VIF to vote Common shares directly at the Meeting – the VIF must be returned to Broadridge well in advance of the Meeting in order to have the Common shares voted.**

## MATTERS TO BE ACTED UPON AT THE MEETING

### 1. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Corporation for the fiscal year ended March 31, 2008 and the report of the auditors thereon will be placed before the Shareholders at the Meeting.

### 2. FIXING THE NUMBER OF DIRECTORS

The board of directors of the Corporation (the "Board") presently consists of six directors and it is proposed that at the Meeting, the Shareholders fix the number of directors to be elected at the Meeting at six. At the Meeting, the Shareholders will be asked to consider and, if thought fit, to pass the following resolution:

"BE IT RESOLVED THAT the number of directors of the Corporation to be elected be and is hereby fixed at six directors."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders who vote in person or by proxy thereon at the Meeting.

**The persons named in the enclosed proxy form, if named as proxy, intend to vote in favour of the foregoing resolution unless a Shareholder has specified in its proxy that the Shareholder's Common shares are to be voted against such resolution.**

### 3. ELECTION OF DIRECTORS

The following table and the notes thereto state the names and cities of residence of the persons proposed to be nominated for election as directors at the Meeting, all other positions and offices with the Corporation now held by them, their principal occupations at present, the years in which they were first elected directors and the number of Common shares beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them, as at July 28, 2008. The information contained herein has been furnished by the respective nominees to the Corporation. Each director elected will hold office until the next annual general meeting of Shareholders or until his successor is duly elected or appointed pursuant to the Corporation's By-laws, unless the director's office is earlier vacated.

**The persons named in the enclosed proxy form, if named as proxy, intend to vote in favour of the proposed nominees to the Board unless a Shareholder has specified in its proxy that the Shareholder's Common shares are to be withheld from voting for such nominees.**



Edward S. Sampson, 56, of Calgary, Alberta, Canada has been a director since 1996.

President and Chief Executive Officer of the Corporation since November 2004. Also Chairman of the Board of the Corporation for in excess of the last 12 years.

Mr. Sampson has been involved in the field of business management during the past 34 years. He has initiated and managed a series of successful business operations focused primarily on oil and gas exploration and development. Mr. Sampson was instrumental in the growth and development of a number of mid-sized Canadian public companies.

Chairman of the Board

*Shareholdings*

Common 6,420,718

In addition, Mr. Sampson holds 1,250,000 options to acquire Common shares.



C. J. (Jim) Cummings, 58, of Calgary, Alberta, Canada has been a director since 2005.

Partner of International Energy Counsel LLP (a law firm) since December 2002. Prior thereto, Partner of Donahue LLP (a law firm) until November 2002.

Mr. Cummings has been involved in the petroleum industry in excess of the past 30 years. He graduated from the University of Alberta with a degree in Law and has practiced in government, corporate and private roles, specializing in international oil and gas law. Mr. Cummings has served as Senior Counsel with the Attorney General of Alberta in the Constitutional and Energy Law Department, Senior Counsel with Home Oil Company Limited, Vice-President and General Counsel with both Asamera Inc. and Bow Valley Energy Ltd. and was formerly a partner in Donahue LLP. He is currently a partner in International Energy Counsel LLP and a director of a number of private corporations. He is a past Chair of the Association of General Counsel of Alberta and is currently a member of the Steering Committee of the Canadian Chapter of the Association of International Petroleum Negotiators.

Mr. Cummings is also a director of Kroes Energy Inc.

Corporate Governance Committee (Chairman), Audit Committee and Compensation Committee

*Shareholdings*

Common 2,300

In addition, Mr. Cummings holds 125,000 options to acquire Common shares.



Walter DeBoni, 61, of Calgary, Alberta, Canada has been a director since 2005.

Vice President of Canada Frontier & International Business of Husky Energy Inc. (a public oil and gas company) from April 2002 to July 2005. Prior thereto, President and Chief Executive Officer, Bow Valley Energy Ltd. (a natural resource company) until January 2002.

Mr. DeBoni has held numerous top executive posts in the oil and gas industry. He holds a B.Sc. in Chemical Engineering from the University of British Columbia and an MBA degree with a major in Finance from the University of Calgary and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and the Society of Petroleum engineers. He is a past Chairman of the Petroleum Society of CIM and a past director of the Society of Petroleum Engineers.

Mr. DeBoni is also a director of ARC Resources Ltd. (the administrator of ARC Energy Trust), Sterling Resources Ltd., PetroWest Energy Services Trust and Bountiful Resources Inc., a private company engaged in oil and natural gas exploration in Canada.

Audit Committee,  
Corporate Governance  
Committee and  
Environment and Reserve  
Committee

*Shareholdings*  
Common 2,000

In addition, Mr. DeBoni holds 125,000 options to acquire Common shares.



William T. Hornaday, 52, of Calgary, Alberta, Canada has been a director since 2007.

Chief Operating Officer of Niko since 2005. Prior thereto, Vice President, Operations of Niko since 2001.

Mr. Hornaday is a professional engineer with over 30 years of industry experience and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. He holds a B.Sc. in Mechanical Engineering from the University of Calgary. He has worked in the energy business in North America, India, Indonesia and Australia.

Corporate Governance  
Committee

*Shareholdings*  
Common 62,250

In addition, Mr. Hornaday holds 473,750 options to acquire Common shares.



Conrad P. Kathol, 58, of Calgary, Alberta, Canada has been a director since 1996.

President of Silver Thorn Exploration Ltd. (a natural resource company) since April 2004. Prior thereto, President of Invader Exploration Inc. (a public oil and gas company).

Mr. Kathol is a professional engineer and holds a B.Sc. in Civil Engineering from the University of Alberta and has worked in the oil and gas industry for the past 33 years. He has worked as an exploration geologist in Western Canada and the United States and has a strong background in all aspects of the industry, including modern exploration technology, reservoir engineering and economic evaluation.

Mr. Kathol has been involved in the management and has been a director of several publicly traded resource companies during the past 22 years.

Environment and Reserve Committee (Chairman), Compensation Committee and Board Secretary

*Shareholdings*  
Common 268,229

In addition, Mr. Kathol holds 125,000 options to acquire Common shares.



Wendell W. Robinson, 67, of Charleston, South Carolina, USA has been a director since 1999.

Senior Investment Partner & retired Managing Director, Global Environment Fund (an institutional investment management firm) since February 2006. Prior thereto Managing Director, Global Environment Fund.

Mr. Robinson joined Global Environment Fund as Managing Director from Rockefeller & Co. where he was responsible for Rockefeller's worldwide private equity program. For various funds, Mr. Robinson managed the investment and successful sale of more than \$450 million in private equity and venture capital positions throughout Southeast Asia, Europe, Latin America and the United States. Mr. Robinson has been the director of numerous corporations, as well as a member of investment advisory boards and investment committees for private investment funds and partnerships in Argentina, Brazil, China, Spain, France and the United States. Mr. Robinson has in excess of 40 years of experience in domestic and international financial, investment and company management.

Compensation Committee (Chairman) and Audit Committee (Chairman)

*Shareholdings*  
Common 50,002

In addition, Mr. Robinson holds 125,000 options to acquire Common shares.

**Notes:**

- (1) Each of the above persons has held the principal position shown opposite his name for at least the last five years, unless otherwise noted.  
(2) The Corporation does not have an executive committee. The Corporation has disclosure officers, but does not have a disclosure committee.

- (3) Robert N. Ohlson was a director and officer of Niko until November 24, 2004, when he passed away. Mr. Sampson is the executor of Mr. Ohlson's estate. As at the date hereof, Mr. Ohlson's estate owns, directly or indirectly, 2,376,229 Common shares. As a result, Mr. Sampson, in his role as executor of Mr. Ohlson's estate, has control or direction over these shares. See "General Proxy Information – Principal Holders of Voting Shares".
- (4) Conrad P. Kathol, a director of Niko, and Edward S. Sampson, an officer and a director of Niko, were both directors, but not officers, of Proprietary Industries Inc. ("Proprietary") during a period for which the Alberta Securities Commission (the "ASC") was investigating Proprietary. Proprietary is a public corporation organized under the *Canada Business Corporations Act*. Niko was, at the time of the transactions referred to below, arm's length to Proprietary and the other public companies referred to below and Niko has never had business dealings with Proprietary and such public companies. In January of 2002, a notice of hearing was issued by the ASC with respect to Proprietary and two of its senior officers, Peter Workum and Theodor Hennig, alleging that (i) Proprietary's consolidated financial statements for the years ended September 30, 2000, September 30, 1999 and September 30, 1998 were not prepared in accordance with generally accepted accounting principles and contained misrepresentations contrary to the *Securities Act* (Alberta) with respect to gains reported in connection with certain transactions involving Proprietary and (ii) Proprietary made representations in respect of material submitted or given to the ASC in connection with those transactions contrary to the *Securities Act* (Alberta). On August 21, 2002, the ASC issued an order (a) cease trading all trades in securities of Proprietary and all trades of Messrs. Workum and Hennig and certain subsidiaries of Proprietary and (b) denying Proprietary, Messrs. Workum and Hennig and such subsidiaries the use of any exemptions from the prospectus and registration requirements under the *Securities Act* (Alberta) for a period of 15 days. On September 5, 2002, the ASC issued a further order extending the earlier interim order. Securities regulatory authorities in other provinces in Canada issued similar orders with respect to Proprietary. Mr. Sampson resigned as a director of Proprietary in March of 2001 and Mr. Kathol resigned as a director of Proprietary on December 18, 2002. In August 2003, the ASC staff and Proprietary entered into a settlement agreement whereunder Proprietary acknowledged, among other things, that certain recognitions of gains contained in its audited consolidated financial statements for its fiscal years ended September 30, 1998, 1999 and 2000 were contrary to generally accepted accounting principles and agreed to pay \$125,000 to the ASC in partial satisfaction of the ASC's costs. On November 21, 2003 the ASC issued an order lifting the sanctions referred to in (a) and (b) above as they related to Proprietary. However, in November and December of 2003, the ASC issued a further cease trade order against Proprietary for failure to file annual audited financial statements for its fiscal year ended September 30, 2002. This cease trade order was subsequently lifted on May 6, 2004 and trading of Proprietary's shares on the Toronto Stock Exchange resumed on May 19, 2004.
- (5) The Common shareholdings set forth in this table represent the number of Common shares beneficially owned, directly or indirectly, or controlled or directed by each proposed director.

For information on the audit committee of the Board, see "Audit Committee Information".

#### **4. APPOINTMENT OF AUDITOR**

The management of the Corporation proposes that KPMG LLP, Chartered Accountants, be appointed as the auditor of the Corporation for the ensuing year at remuneration to be fixed by the Board. KPMG LLP has been the auditor of the Corporation since September 30, 1997.

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by the Shareholders who vote in person or by proxy thereon at the Meeting.

**The persons named in the enclosed proxy form, if named as proxy, intend to vote in favour of the foregoing resolution unless a Shareholder has specified in its proxy that the Shareholder's Common shares are to be withheld from voting on such resolution.**

#### **5. AMENDMENT TO STOCK OPTION PLAN**

The Corporation has in place an incentive stock option plan (the "Option Plan") that was originally approved by the Shareholders on September 18, 2003 and most recently amended with Shareholder approval on August 15, 2007. For further information regarding the Option Plan, see "Directors' and Executive Officers' Compensation – Report on Executive Compensation – Stock Option Plan".

As part of its good corporate governance and trading practices, the Corporation has in place a share trading policy (the "Share Trading Policy") which imposes Blackout Periods from time to time. "Blackout Period", for the purposes hereof and as defined in the Share Trading Policy, means a period during which employees of Niko, including directors, officers and consultants, and certain other restricted persons are prohibited from trading in Niko's securities because they are in possession of, or may become aware of, material information pertaining to the Corporation that has not been publicly disclosed or that has been publicly disclosed but a reasonable period of time for its dissemination has not passed. The Board believes that it is in the best interests of the Corporation to make, and have the Shareholders approve, an amendment to the Option Plan providing for the automatic extension of the term of options that are set to expire during a Blackout Period.

In order to give effect to the aforementioned amendment to the Option Plan, Shareholders will be asked at the Meeting to consider and, if deemed appropriate, to pass the following resolution:

**"Be it resolved**, as an ordinary resolution of the holders of common shares (the "Shareholders") of Niko Resources Ltd. (the "Corporation"), that:

(a) the incentive stock option plan (the "Plan") of the Corporation be amended by:

(i) adding the following definition to section 2.1 of the Plan:

""Blackout Period" means the period of time when, pursuant to any policies of the Corporation, securities of the Corporation may not be traded by certain persons, including the holders of Options, as designated by the Corporation";

(ii) deleting section 6.1 of the Plan in its entirety and replacing it with the following:

"6.1 The term of the Option shall be a period of time fixed by the Board, not to exceed the maximum period of time permitted by the Exchange and, unless the Board determines otherwise, Options shall be exercisable in whole or in part at any time during this period in accordance with such vesting provisions, conditions or limitations (including applicable hold periods and Blackout Periods) as are herein contained or as the Board may from time to time impose or as may be required by the Exchange or under applicable securities laws.";

(iii) adding the following as section 6.4 of the Plan:

"6.4 Should the Expiry Time occur during a Blackout Period or within nine business days following the expiration of a Blackout Period, the Expiry Time shall be automatically extended without any further act or formality to 4:00 p.m. (Calgary time) on that date which is the 10<sup>th</sup> business day after the end of the Blackout Period (or such other date as may be permitted by the Exchange and approved by the Board)."

(b) any one director or officer of the Corporation be authorized to make all such arrangements, to do all acts and to sign and execute all documents and instruments in writing as may be considered necessary or advisable to give full force and effect to the foregoing; and

(c) the board of directors of the Corporation be authorized to revoke this resolution before it is acted upon without further approval of the Shareholders."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by the Shareholders who vote in person or by proxy thereon at the Meeting. A copy of the Option Plan (as amended) will be made available to any Shareholder upon request.

**The persons named in the enclosed proxy form, if named as proxy, intend to vote in favour of the foregoing resolution unless a Shareholder has specified in its proxy that the Shareholder's Common shares are to be voted against such resolution.**

## **6. AMENDMENT AND RESTATEMENT OF SHAREHOLDER RIGHTS PLAN AGREEMENT**

### **Background**

At the Meeting, Shareholders will be asked to approve and reconfirm the Corporation's shareholder rights plan. The Corporation's original shareholder rights plan was first implemented under an agreement dated August 9, 1999 between the Corporation and Montreal Trust Company of Canada (the "Original Rights Plan"). At the annual and special meeting of Shareholders held on August 17, 2005, the continued existence of the Original Rights Plan was approved and reconfirmed by the Independent Shareholders and an amended and restated shareholder rights plan agreement (the "2005 Rights Plan") was executed.

The Corporation has reviewed the 2005 Rights Plan for conformity with current practices of Canadian companies with respect to shareholder rights plan design. The Corporation has determined that, since August 2005, there have been few, if any, changes in those practices. As a result, on June 23, 2008, the Board resolved to continue the 2005 Rights Plan with minimal amendments by approving an amended and restated shareholder rights plan (the "2008 Rights Plan"), subject to regulatory and Independent Shareholder approval.

The 2008 Rights Plan is identical to the 2005 Rights Plan in all material respects and reconfirms Computershare Trust Company of Canada as Rights Agent. All capitalized terms used in this section but not defined in the Information Circular shall have the meanings ascribed thereto in the 2008 Rights Plan.

### **Recommendation of the Board**

The Board has determined that it continues to be in the best interests of the Corporation and the holders of its Common shares that the Corporation have a shareholder rights plan, in the form of the 2008 Rights Plan. **Accordingly, the Board unanimously recommends that the shareholders vote in favour of the reconfirmation and approval of the 2008 Rights Plan.**

The Corporation has been advised that the directors and senior officers of the Corporation intend to vote all Common shares held by them in favour of the confirmation and approval of the 2008 Rights Plan. At the Meeting, the Shareholders will be asked to consider and, if thought fit, to approve, with or without variation, the following resolution (the "Rights Plan Resolution") to ratify, confirm and approve the 2008 Rights Plan:

**"Be it resolved**, as an ordinary resolution of the Independent Shareholders of Niko Resources Ltd. (the "Corporation"), that:

1. the Shareholder Rights Plan of the Corporation be and is hereby continued and the Amended and Restated Shareholder Rights Plan Agreement between the Corporation and Computershare Trust Company of Canada be and is hereby ratified, confirmed and approved; and
2. any director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to execute, deliver and file all such documents and other instruments and to otherwise do and perform all such acts and things as such director or officer may determine to be necessary or desirable for the implementation of this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions."

**The persons named in the enclosed form of proxy, if named as proxy, intend to vote in favour of the foregoing resolution unless a Shareholder has specified in its proxy that its shares are to be voted against such resolution.**

### **Vote Required**

Shareholder approval and reconfirmation of the 2008 Rights Plan is not required by law but is required by the terms of the 2005 Rights Plan and the rules of the Toronto Stock Exchange (the "TSX"). The above resolution

must be approved by a simple majority of the votes cast by the Shareholders who vote in person or by proxy thereon at the Meeting as well as by a simple majority of the votes cast by Independent Shareholders who vote in person or by proxy thereon at the Meeting.

If the above resolution approving the 2008 Rights Plan is passed at the Meeting, then the Corporation and Computershare Trust Company of Canada (the "Rights Agent") would execute the 2008 Rights Plan effective as of the date the resolution is passed. If the above resolution is not passed at the Meeting, the 2005 Rights Plan will become void and of no further force and effect, all outstanding Rights will be redeemed, the 2008 Rights Plan will not be executed and will never become effective and the Corporation will no longer have any form of shareholder rights plan.

The Board reserves the right to alter any terms of or not to proceed with the 2008 Rights Plan at any time prior to the Meeting in the event that the Board determines that it would be in the best interests of the Corporation and the Shareholders to do so, in light of subsequent developments.

### **Objectives of the 2008 Rights Plan**

The primary objectives of the 2008 Rights Plan are to ensure that, in the context of a bid for control of the Corporation through an acquisition of the Common shares, the Board has sufficient time to explore and develop alternatives for maximizing shareholder value, to provide adequate time for competing bids to emerge, to ensure that every Shareholder has an equal opportunity to participate in such a bid and to give every Shareholder adequate time to properly assess the bid and lessen the pressure to tender typically encountered by a shareholder of a corporation that is subject to a bid.

In approving the 2008 Rights Plan, the Board considered the following concerns inherent in the existing legislative framework governing take-over bids in Canada:

- (1) **Time.** Current legislation permits a take-over bid to expire in 35 days. The Board of Directors is of the view that 35 days may not be sufficient time to permit shareholders to consider a take-over bid and to make a reasoned and unhurried decision. The 2008 Rights Plan provides a mechanism whereby the minimum expiry period for a take-over Bid must be 45 days after the date of the bid and the bid must remain open for a further period of 10 business days after the Offeror publicly announces that the shares deposited or tendered and not withdrawn constitute more than 50% of the Common shares outstanding held by Independent Shareholders. The 2008 Rights Plan is intended to provide shareholders with adequate time to properly evaluate the offer and to provide the Board of Directors of the Corporation with sufficient time to explore and develop alternatives for maximizing shareholder value. Those alternatives could include, if deemed appropriate by the Board of Directors, the identification of other potential bidders, the conducting of an orderly auction or the development of a corporate restructuring alternative that could enhance shareholder value.
- (2) **Pressure to Tender.** A Shareholder may feel compelled to tender to a bid that the shareholder considers to be inadequate out of a concern that failing to tender may result in the shareholder being left with illiquid or minority discounted shares in the Corporation. This is particularly so in the case of a partial bid for less than all shares of a class, where the bidder wishes to obtain a control position but does not wish to acquire all of the Common shares. The 2008 Rights Plan provides a shareholder approval mechanism in the Permitted Bid provision which is intended to ensure that a shareholder can separate the tender decision from the approval or disapproval of a particular take-over bid. By requiring that a bid remain open for acceptance for a further 10 Business Days following public announcement that more than 50% of the Common shares held by Independent Shareholders have been deposited, a shareholder's decision to accept a bid is separated from the decision to tender, lessening the undue pressure to tender typically encountered by a shareholder of a company that is the subject of a take-over bid.

- (3) **Unequal Treatment.** While existing securities legislation has substantially addressed many concerns of unequal treatment, there remains the possibility that control of a company may be acquired pursuant to a private agreement in which a small group of shareholders dispose of shares at a premium to market price which premium is not shared with other shareholders. In addition, a person may slowly accumulate shares through stock exchange acquisitions, which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all shareholders. The 2008 Rights Plan addresses these concerns by applying to all acquisitions of greater than 20% of the Common shares, to better ensure that shareholders receive equal treatment.

### **General Impact of the 2008 Rights Plan**

It is not the intention of the Board of Directors in maintaining a shareholder rights plan for the Corporation to secure the continuance of existing directors or management in office, nor to avoid a bid for control of the Corporation in a transaction that is fair and in the best interest of Shareholders. For example, through the Permitted Bid mechanism, Shareholders may tender to a bid that meets the Permitted Bid criteria without triggering the 2008 Rights Plan, regardless of the acceptability of the bid to the Board. Furthermore, even in the context of a bid that does not meet the Permitted Bid criteria, the Board will continue to be bound to consider fully and fairly any bid for the Common shares in any exercise of its discretion to waive the application of the 2008 Rights Plan or redeem the Rights. In all such circumstances, the Board must act honestly and in good faith with a view to the best interests of the Corporation and the Shareholders.

None of the Original Rights Plan, the 2002 Rights Plan, the 2005 Rights Plan or the 2008 Rights Plan was adopted or approved in response to or in anticipation of any pending or threatened take-over bid, nor to deter take-over bids generally. The objectives of the 2008 Rights Plan are as summarized above. The 2008 Rights Plan does not interfere with the day-to-day operations of the Corporation. The issuance of the Rights does not in any way alter the financial condition of the Corporation, impede its business plans or alter its financial statements. In addition, the 2008 Rights Plan is not initially dilutive and is not expected to have any effect on the trading of the Common shares. However, if a Flip-in Event occurs and the Rights separate from the Common shares, reported earnings per share and reported cash flow per share on a fully-diluted and non-diluted basis may be affected. In addition, holders of Rights not exercising their Rights after a Flip-in Event may suffer substantial dilution.

The 2008 Rights Plan does not preclude any Shareholder from utilizing the proxy mechanism of the *Business Corporations Act* (Alberta) to promote a change in the management or direction of the Corporation and has no effect on the rights of Shareholders to requisition a meeting of Shareholders in accordance with the provisions of applicable corporate and securities legislation or to enter into agreements with respect to voting their Common shares. The definitions of "Acquiring Person" and "Beneficial Owner" have been developed to minimize concerns that the 2008 Rights Plan may be inadvertently triggered or triggered as a result of an overly broad aggregating of holdings of institutional shareholders and their clients.

In summary, the Board of Directors believes that the dominant effects of the 2008 Rights Plan will be to enhance shareholder value and to ensure equal treatment of all shareholders in the context of an acquisition of control.

### **Summary of the 2008 Rights Plan**

The following is a summary of the principal terms of the 2008 Rights Plan. A Shareholder or any other interested party may obtain a copy of the complete 2008 Rights Plan by writing or faxing a request to, or by calling, the Vice President, Finance, Niko Resources Ltd., 4600, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, telephone (403) 262-1020, fax (403) 263-2686.

Effective Date: The 2008 Rights Plan is effective as of the close of business on August 9, 1999 (the "Plan Effective Date").

Term: Provided that the Rights Plan Resolution is passed at the Meeting, the 2008 Rights Plan will expire at the termination of the annual meeting of Shareholders in the year 2011.

Shareholder Approval: The TSX requires that the Corporation obtain the approval of the Shareholders within six months of the adoption of the 2008 Rights Plan. For the 2008 Rights Plan to continue to be effective following the Meeting, the Rights Plan Resolution must be approved by a majority vote of the votes cast at the Meeting by Independent Shareholders voting in person and by proxy.

Issue of Rights: At 5:00 p.m. (Calgary time) on August 9, 1999, one Right was issued and attached to each outstanding Common share and one Right will be issued and attach to any Common share that is subsequently issued.

Rights Exercise Privilege: The Rights will separate from the Common shares and will be exercisable 10 Trading Days (the "Separation Time") after a person has acquired, or commences a take-over bid to acquire, 20% or more of the Common shares, other than by an acquisition pursuant to a take-over bid permitted by the Rights Plan (a "Permitted Bid"). The acquisition by any person (an "Acquiring Person") of 20% or more of the Common shares, other than by way of a Permitted Bid or Competing Permitted Bid, is referred to as a "Flip-in Event". Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Ten Trading Days after the occurrence of the Flip-in Event, each Right (other than those held by the Acquiring Person) will permit the purchase of \$200 worth of Common shares for \$100.

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the Common shares, reported earnings per share on a fully diluted or non-diluted basis may be affected. Holders of Rights not exercising their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Lock-Up Agreements: A person making a take-over bid may enter into lock-up agreements ("Lock-up Agreements") with holders of Common shares whereby such holders agree to tender their Common shares to the bid without a Flip-in Event occurring. The Lock-up Agreement must permit the holders to withdraw their Common shares and tender them to another, or to support another, take-over bid transaction that will provide greater value to such holder.

Certificates and Transferability: Prior to the Separation Time, the Rights are evidenced by a legend imprinted on certificates for the Common shares issued from and after the Plan Effective Date and are not to be transferable separately from the Common shares. From and after the Separation Time, the Rights will be evidenced by Rights Certificates, which will be transferable and traded separately from the Common shares.

Permitted Bid Requirements: The requirements for a Permitted Bid include the following:

- (1) the take-over bid must be made by way of a take-over bid circular;
- (2) the take-over bid must be made to all shareholders, wherever resident;
- (3) the take-over bid must be outstanding for a minimum period of 45 days and Common shares tendered pursuant to the take-over bid may not be taken up prior to the expiry of the 45-day period and only if at such time more than 50% of the Common shares held by Independent Shareholders have been tendered to the take-over bid and not withdrawn; and
- (4) if more than 50% of the Common shares held by Independent Shareholders are tendered to the take-over bid within the 45-day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Common shares for not less than 10 Business Days from the date of such public announcement.

The Rights Plan allows for a competing Permitted Bid (a "Competing Permitted Bid") to be made while a

Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for the minimum deposit period under Canadian securities laws (currently 35 days).

**Waiver:** The Board, acting in good faith, may, until the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event (an "Exempt Acquisition") where the take-over bid is made by a take-over bid circular to all holders of Common shares. Where the Board exercises the waiver power for one take-over bid, the waiver will also apply to any other take-over bid for the Corporation made by take-over bid circular to all holders of Common shares prior to the expiry of any other bid for which the Rights Plan has been waived.

**Redemption:** The Board, with the majority approval of Shareholders (or the holders of Rights if the Separation Time has occurred) at a meeting duly called for that purpose, may redeem the Rights at \$0.0001 per Right. Rights may also be redeemed by the Board without such approval following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

**Amendment:** The Board may amend the 2008 Rights Plan with the majority approval of Shareholders (or the holders of Rights, if the Separation Time has occurred) at a meeting duly called for that purpose. The Board without such approval may correct clerical or typographical errors and, subject to approval as noted above at the next meeting of the Shareholders (or holders of Rights, as the case may be), may make amendments to the 2008 Rights Plan to maintain its validity due to changes in applicable legislation.

**Exemptions for Investment Advisors:** Investment advisors (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds and administrators of registered pension plans acquiring greater than 20% of the Common shares are exempted from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid for the Corporation.

**Board of Directors:** The 2008 Rights Plan will not detract from or lessen the duty of the Board to act honestly and in good faith with a view to the best interests of the Corporation. The Board, when a Permitted Bid is made, will continue to have the duty and power to take such actions and make such recommendations to Shareholders as are considered appropriate.

The Board reserves the right to alter any terms of or not to proceed with the 2008 Rights Plan at any time prior to the Meeting in the event that the Board determines that it would be in the best interests of the Corporation and its Shareholders to do so, in light of subsequent developments.

### **Canadian Federal Income Tax Consequences of the Rights Plan**

Under the *Income Tax Act* (Canada) (the "Tax Act"), the issue of the Rights may be a taxable benefit, which must be included in the income of a recipient. However, no amount must be included in income if the Rights do not have a monetary value at the date of issue. The Corporation considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised. The holder of Rights may have income or be subject to withholding tax under the Tax Act if the Rights become exercisable, or are exercised or are otherwise disposed of.

This statement is of a general nature only and is not intended to constitute nor should it be construed as legal or tax advice to any particular holder of Common shares. Such holders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and applicable federal, provincial, territorial, state or foreign legislation.

## DIRECTORS' AND EXECUTIVE OFFICERS' COMPENSATION

### **Composition of the Compensation Committee**

The Compensation Committee, whose members are appointed by and from the Board, is comprised of Wendell W. Robinson, Chairman, Conrad Kathol and C. J. (Jim) Cummings. All three members are independent directors as defined in National Policy 58-201 *Corporate Governance Guidelines* ("NP 58-201").

### **Report on Executive Compensation**

The Compensation Committee, which is comprised of Wendell W. Robinson, Chairman, Conrad Kathol and C. J. (Jim) Cummings is responsible for reviewing executive compensation matters and making recommendations to the Board for its approval. The Compensation Committee meets to review compensation policies and issues as required. This committee met quarterly in the fiscal year ended March 31, 2008.

The compensation of the executive officers, including that of the Chairman of the Board, President and Chief Executive Officer (who is the senior officer), the Chief Financial Officer and the Chief Operating Officer of the Corporation was determined on the basis of several factors. These factors included (i) the competitive nature of salaries within the oil and gas exploration and development business, (ii) the predominant Asian base of the Company's business and high level of overseas travel and stays required, (iii) the level of responsibility and authority of each officer, and (iv) the exercise of the duties of the respective officers in relation to the successful operation of the business and creation of shareholder value. The Corporation compensates its executive officers through a base salary, an annual performance-based bonus pool and the award of long-term stock options.

#### Base Salary

The Compensation Committee view is that the base salaries for Niko's executive officers must (i) ensure loyalty and commitment to the success of the Corporation, (ii) be competitive to attract and retain technically competent professionals in the respective positions of responsibility, (iii) promote and enhance value to Shareholders, and (iv) be affordable and reasonable. In determining the salary amounts for the executive officers of the Corporation and, in particular, the Chairman of the Board, President and Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer, the Compensation Committee considered a number of factors. The Compensation Committee generally reviewed compensation arrangements paid by a number of Canadian public oil and gas companies that either had growth profiles similar to that of Niko, were of similar size and complexity to Niko, or had significant international operations. The Compensation Committee then set the salary within the context of the Corporation's overall compensation package of salary, bonus potential and options, which would allow Niko to remain competitive and be consistent with the qualitative parameters referred to above. With respect to the compensation of the other officers and key employees of the Corporation, the Compensation Committee directed the senior executives responsible for the selection of officers to be guided by the same principles.

#### Bonus

Under Niko's bonus pool, a basic aggregate amount is allocated to the bonus pool on an annual basis. The potential amount of the bonus pool is the sum of the aggregate amount of the current annual salary of each of the participants in the plan. In the event that performance exceeds 100% of the targeted criteria factors, the potential bonus pool amount can exceed 100% of the aggregate salaries with a cap of 150% of this amount. At the beginning of each year, targeted goals are established that are based upon the Corporation's budget and development plan for the year and other factors relative to the building of shareholder value. The targeted goals are for the Corporation as a whole such that the potential size of the pool is determined by the total performance of all of the key employees of the Corporation in participating toward the achievement of these predefined objectives. The purpose of this structure is to encourage cooperation and mutual support among the participants based upon the view of the Compensation Committee that the success of the Corporation is dependent upon the integration of all key employees working together toward the achievement of common corporate objectives. As outlined more specifically below, there are three types of targeted goals: (i) those that relate to specific operating performance

objectives for the year; (ii) those that relate to enhancement of the assets and opportunities of the Corporation that can provide the basis for building the longer term value of the Corporation; and (iii) market performance of the Corporation's stock. There were six major targeted goals for the fiscal year ended March 31, 2008, with weightings of 10 to 25% per target. Each goal was assigned a weighting based upon the Compensation Committee's assessment as to the relative importance of each factor to the Corporation's success in the current year and to the creation of Shareholder value over the longer term.

Potential individual payments under the bonus plan are allocated on the basis of a percentage of annual salary with the maximum potential payment to (i) the Chairman of the Board, President and Chief Executive Officer equal to 100% of salary, (ii) the Chief Operating Officer and the Chief Financial Officer equal to 75% of salary, and (iii) all other participants equal to 50% of salary. The actual payment to each individual is further dependent upon the portion of three or more years of continuous service and employment by the Corporation of each respective recipient. As described below, the bonus plan also provides for the payment of additional discretionary amounts to individuals that provided exceptional or unusually important critical performance related to unforeseen events during the year. As a result of performance, the aggregate amount available in the bonus pool for fiscal 2008 was 95% of the total potential amount possible. The amount of the bonus was \$1,772,344 and has been paid as of July 28, 2008.

Provided below is a listing of the major individual Corporation goals that were in place for the fiscal year of the Corporation ended March 31, 2008 and the relative weighting that each factor had as a percentage of the total pool. While the amount of final individual bonuses paid to any particular participant in any year has some discretionary flexibility, the general criteria utilized during the fiscal year ended March 31, 2008 by the Compensation Committee for the determination of the total bonus pool from which allocations of annual bonuses to the employees and officers of the Corporation were made are as follows:

1. Progress of D6 development: The Compensation Committee is of the view that completing development of the project within budget and in a timely manner is a major factor in building long-term value for the Corporation. The Compensation Committee placed a weighting factor for this criterion of 25% of the aggregate annual amount available in the bonus pool.
2. Reserves/Resources of Oil and Gas: The Compensation Committee believes that the growth of reserves and resources is directly connected to building asset value of the Corporation and future increases in production. The Compensation Committee placed a weighting factor for this criterion of 25% of the aggregate annual amount available in the bonus pool.
3. Raising Capital: The Compensation Committee viewed a significant increase in permanent capital as essential to funding current and future growth. The Compensation Committee placed a weighting factor for this criterion of 10% of the aggregate annual amount available in the bonus pool.
4. Relative Stock Performance: The Compensation Committee is of the view that the favourable relative performance of its share price is an independent reflection of the overall performance of the Corporation and its management and is a beneficial factor in raising of growth capital. The Compensation Committee placed a weighting factor for this criterion of 1% for every percentage point price increase per share of the stock of the Company in excess of the percentage point price increase per share for the S&P/TSX Capped Energy Index up to a maximum weighting of 15% of the aggregate annual amount available in the bonus pool.
5. Capital Efficiency: The Compensation Committee is of the view that the efficient use of permanent capital in replacing, finding and developing producing reserves is a key indicator of good management performance. The Compensation Committee placed a weighting factor for this criterion of 10% of the aggregate annual amount available in the bonus pool.
6. New Property Commitments: The Compensation Committee is of the view that the future growth of the Corporation is dependent upon continued exploration success from major new property

commitments. The Compensation Committee is of the belief that securing the rights to a major new project of sufficient size and prospectivity to have a significant impact on overall Corporation results, if successful, is necessary to facilitate continued growth. The Compensation Committee placed a weighting factor for this criterion of 15% of the aggregate annual amount available in the bonus pool.

In addition to the calculated amount of the pool based upon actual results, the bonus plan provides for an added increment equal to 20% of the calculated pool. Any portion of the 20%, up to a maximum overpayment equal to 100% of the formula-calculated amount for any individual, may be given at the discretion of the senior executive officers, comprised of the President and Chief Executive Officer and the Chief Operating Officer (collectively, the "Senior Executive Officers"). The payment is to be paid based upon the Senior Executive Officers' determination that the to-be-rewarded individual(s) had demonstrated and provided exemplary performance during the year. Examples of exemplary performance could include: (1) extraordinary effort in the fulfillment of targeted corporate goals; (2) successful handling of extreme difficulties or unforeseen major problems that impacted targeted corporate goals; (3) unusual insight and action in the mitigation of a major risk; and (4) new developments not foreseen in the year's plan that had a material impact on the Corporation's success or future prospects. The Compensation Committee could also consider additional payment possibilities to the Senior Executive Officers for similar exemplary performance during the year. The Compensation Committee stipulated, however, that any possible payment from the increment is not be expected to be simply a normal addition, but should adhere strictly to the concept of extraordinary performance related to unanticipated circumstances that developed during the year.

In the ultimate allocation of annual bonuses, the Compensation Committee relies primarily on the recommendations of the Chairman of the Board, President and Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer with respect to bonuses paid to other employees and officers. The Compensation Committee solely determines the bonuses to be paid to the Chairman of the Board, President and Chief Executive Officer.

#### Stock Option Plan

The allocation of stock options and the terms designed in those options are an integral component of the compensation package of the directors, officers and employees of, and other Service Providers (as defined in the Option Plan) ("Service Providers") to, the Corporation (collectively, "Participants"). The Corporation has stock option plans in place for the purpose of providing stock options to Participants. The Compensation Committee believes that the grant of options to Participants and share ownership by such Participants serves to motivate achievement of the Corporation's long-term strategic objectives and the result will benefit all Shareholders. Stock options are awarded to employees of the Corporation by the Board based upon the recommendation of the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer, who base their decisions upon the level of responsibility and contribution of the individuals toward the Corporation's objectives and goals. Also, the Compensation Committee considers the overall number of stock options that are outstanding relative to the number of outstanding Common shares in determining whether to make any new grants of stock options and the size of such grants. The granting of these specific options is reviewed by the Compensation Committee for final recommendation to the Board for approval. As for the grant of stock options to the Chairman of the Board, the Compensation Committee bases its decision on how the Chairman of the Board performed based upon the criteria referred to above under "Bonus" and other factors.

As at July 28, 2008, an aggregate of 658,713 Common shares have been issued upon the exercise of options previously granted under the Option Plan (representing approximately 1% of the currently outstanding Common shares) and an aggregate of 3,368,600 Common shares are issuable upon the exercise of options previously granted under the Option Plan (representing approximately 7% of the currently outstanding Common shares).

Currently, under the Option Plan:

- (a) stock options may be issued to directors, officers and employees of, and other Service Providers to, the Corporation and/or its subsidiaries, in such numbers and with such vesting provisions as the Board may determine;
- (b) the number of authorized but unissued Common shares that may be subject to options granted under the Plan at any time is 10% of the number of outstanding Shares from time to time;
- (c) any increase in the issued and outstanding Common shares will result in an increase in the available number of Common shares issuable under the Plan;
- (d) the exercise of any options granted under the Plan will make new grants available under the Plan;
- (e) the exercise price of stock options shall not be less than the closing trading price per Common share on the TSX on the last trading day preceding the date of grant on which there was a closing price (unless otherwise provided by the TSX), provided that if the Board, in its sole discretion, determines that the closing trading price on the trading day preceding the date of grant would not be representative, then the exercise price of the option will be the greater of that closing trading price and the weighted average price per share for the Common shares for five consecutive trading days ending on the last trading day preceding the date of grant on which there was a closing price on the TSX;
- (f) the maximum term for which stock options may be exercisable is 10 years, but such term may be shortened in any stock option agreement and is subject to early termination in accordance with the provisions of the Option Plan relating to the cessation of the optionee as a director, officer, employee or Service Provider;
- (g) subject to any specific requirements of the TSX, the Board shall determine the vesting period(s) during which a holder of options may exercise such options or a portion thereof; in certain circumstances, the Board has been granted the discretion to provide for accelerated vesting of stock options and in other circumstances there will be automatic acceleration of vesting (as further described below);
- (h) any grant of options is subject to the following limitations: (i) the aggregate number of Common shares reserved for issuance pursuant to options outstanding at any time may not exceed 10% of the total number of issued and outstanding Common shares; (ii) the aggregate number of Common shares reserved for issuance pursuant to options granted to any one Participant and pursuant to other share compensation arrangements may not exceed 5% of the issued and outstanding Common shares (on a non-diluted basis); (iii) the aggregate number of Common shares reserved for issuance pursuant to options granted to insiders and pursuant to other share compensation arrangements may not exceed 10% of the issued and outstanding Common shares (on a non-diluted basis); (iv) the issuance of Common shares to insiders pursuant to the Option Plan and other share compensation arrangements within a one-year period may not exceed 10% of the outstanding Common shares (on a non-diluted basis); and (v) the issuance of Common shares to any one insider and such insider's associates within a one-year period pursuant to the Option Plan and other share compensation arrangements may not exceed 5% of the outstanding Common shares (on a non-diluted basis);
- (i) subject to the terms of the applicable stock option agreement, in the event the holder of an option ceases to be a director, officer or employee of, or a Service Provider to, the Corporation for any reason other than death or termination for cause, the option may be exercised up to and including the earlier of the expiry time of the option and the date that is 30 days following the effective date of the notice of resignation, retirement or termination, as the case may be; in the event of termination for cause of the holder of the option, the option will expire and terminate immediately at the time of delivery of the notice of termination; in the event of the death of the holder of the

- option, the option may be exercised up to and including the earlier of the expiry time of the option and the date that is one year from the date of death;
- (j) options are non-assignable and non-transferable;
  - (k) the Board may, at any time and from time to time, amend, suspend or terminate the Option Plan or an option granted thereunder without Shareholder approval, provided that no such amendment, suspension or termination may be made without obtaining any required approval of any regulatory authority or stock exchange or the consent or deemed consent of a Participant where such amendment, suspension or termination materially prejudices the rights of such Participant; notwithstanding the foregoing: (a) the Board may not, without the approval of the Shareholders, make amendments to the Option Plan or any option granted thereunder for any of the following purposes: (i) to increase the maximum number of Common shares allocated and made available to be granted to Participants; (ii) to increase the maximum number of Common shares that may be reserved for issuance pursuant to options outstanding at any time; (iii) to reduce the option price for the benefit of an insider; (iv) to extend the expiry time of an option for the benefit of an insider; and (v) to amend the provisions of the Option Plan pertaining to its amendment or discontinuance; and (b) the Board may, at any time and from time to time, without the approval of the Shareholders, amend any term of any outstanding option, provided that: (i) any required approval of any regulatory authority or stock exchange is obtained; (ii) if the amendment would reduce the option price or expiry time of an option granted to an insider, Shareholder approval must be obtained; (iii) the Board would have the authority to initially grant the option under the terms so amended; and (iv) the consent or deemed consent of the Participant is obtained if the amendment would materially prejudice the rights of the Participant.
  - (l) no financial assistance is provided by the Corporation to participants in the Option Plan to facilitate the purchase of Common shares upon the exercise of options granted under the Option Plan.

In addition, under the Option Plan, in the event that certain events such as a liquidation or dissolution of the Corporation or a re-organization, plan of arrangement, merger or consolidation of the Corporation with one or more entities, as a result of which the Corporation is not the surviving entity, are proposed or contemplated, the Board may, notwithstanding the terms of the Option Plan or stock option agreements issued thereunder (a) exercise its discretion, by way of resolution, to permit accelerated vesting of options on such terms as the Board sees fit at that time, and (b) in the event of acceleration of vesting as referred to in (a), exercise its discretion, by way of resolution, to cause the options to terminate after the end of the period of accelerated vesting on such terms as the Board sees fit at that time, even if such termination of the options is prior to the normal expiry time of the options. If the Board, in its sole discretion, determines that the Common shares subject to any option granted under the Option Plan shall vest on an accelerated basis, all participants in the Option Plan entitled to exercise an unexercised portion of options then outstanding shall have the right at such time, upon written notice being given by the Corporation, to exercise such options to the extent specified and permitted by the Board, and within the time period specified by the Board, which shall not extend past the expiry time of such options.

If the Shareholders receive a take-over bid (as defined in the *Securities Act (Alberta)*) pursuant to which the offeror would, as a result of the bid being successful, beneficially own in excess of 50% of the outstanding Common shares, and the Corporation supports such bid, a participant in the Option Plan may exercise its right (the "Acceleration Right") to exercise all or any of its outstanding options. The Acceleration Right commences on the date of mailing of the directors' circular recommending acceptance of the take-over bid and ends on the earlier of (a) the expiry time of the options, and (b) in the event the take-over bid is unsuccessful, on the expiry date of the take-over bid, and in the event the take-over bid is successful, on the 10<sup>th</sup> day following the expiry date of the take-over bid.

## Conclusion

The Compensation Committee, working in conjunction with the Board and the Chairman of the Board, President and Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer, is of the view

that it will take approximately three years before the full potential of the Corporation's current projects can be realized. This assessment is based upon the development and optimization of the existing asset base and the number of major impact projects currently under development. Execution of these major impact projects will require significant capital resources and the full commitment of all of the officers and professional staff of the Corporation to bring these projects to fruition. These factors, combined with the uncertain nature of the international oil and natural gas business, led the Compensation Committee to the recognition that the base salaries of, and the bonus pool allocation to, senior officers may from time to time vary significantly and should be reviewed on an annual basis. The Compensation Committee has designed this flexibility into its compensation structure with the ultimate concept that the total executive compensation be related to the attainment of yearly goals, as those goals form the basis for the long-term success of the Corporation.

The foregoing is respectfully submitted by the Compensation Committee.

Wendell W. Robinson (Chairman)

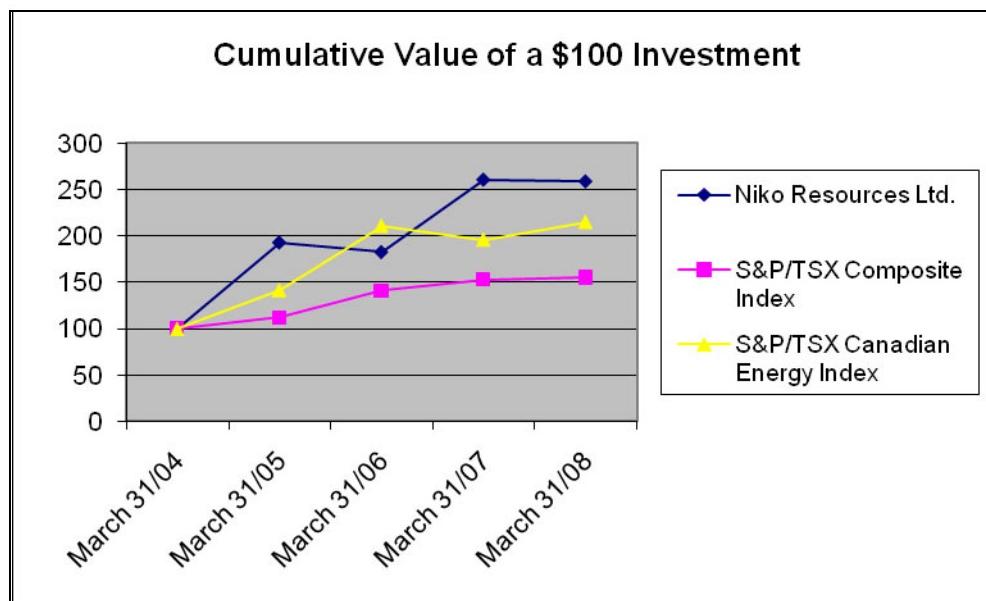
Conrad P. Kathol

C. J. (Jim) Cummings

## Performance Graph

The following graph compares the yearly change in the cumulative total shareholder return over the last five years of a \$100 investment in the Common shares with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Canadian Energy Index, assuming the reinvestment of dividends, where applicable, for the comparable period.

	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
	(\$)	(\$)	(\$)	(\$)	(\$)
Niko Resources Ltd.	100	193	182	260	258
S&P/TSX Composite Index	100	112	141	153	155
S&P/TSX Canadian Energy Index	100	142	211	196	215



## Compensation of Directors

The Board, through the Compensation Committee, periodically reviews the adequacy and form of compensation of the Board. Commencing January 1, 2005, the directors (other than Mr. Sampson) have been, and will be, paid \$25,000 per annum as compensation for acting as directors of the Corporation. The directors are

reimbursed for any third party costs that they have paid personally, but only for those costs incurred while acting on behalf of the Corporation. Members of the Board are entitled to receive options under the Corporation's stock option plans. As at July 28, 2008, the directors (excluding directors who are executive officers) held options to purchase an aggregate of 500,000 Common shares at an average exercise price of \$61.63 per share. Also see "Termination of Employment, Change in Responsibilities and Employment Contracts".

### **Compensation of Executive Officers**

The following table provides a summary of compensation earned during the fiscal years ended March 31, 2008, 2007 and 2006 by the President, Chief Executive Officer and Chairman of the Board, the current Vice President, Finance and Chief Financial Officer, the former Vice President, Finance and Chief Financial Officer and the Chief Operating Officer (collectively the "named executive officers").

Name and Principal Position	Year	Annual Compensation			Long Term Compensation		All Other Compensation <sup>(2)</sup> (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>(2)</sup> (\$)	Securities Under Options Granted (#)		
Edward S. Sampson, President, Chief Executive Officer, Chairman of the Board and Director	2008	608,000	617,500	-	415,625		-
	2007	561,000	229,900	-	150,000		-
	2006	512,500	220,000	-	712,500		-
Murray E. Hesje Vice President, Finance and Chief Financial Officer <sup>(1)</sup>	2008	277,500	124,688	-	37,500		-
	2007	208,500	19,600	-	150,000		-
	2006	-	-	-	-		-
William T. Hornaday, Chief Operating Officer	2008	416,250	320,625	-	50,000		-
	2007	382,500	117,550	-	68,750		-
	2006	318,750	112,500	-	200,000		-

**Note:**

(1) Mr. Hesje was not employed by the Corporation during fiscal 2006 and was employed by the Corporation for 9 months during fiscal 2007.

(2) All other compensation and benefits do not exceed 10% of the total salary and bonus for any named executive officer.

### **Stock Options**

During the fiscal year ended March 31, 2008, the following stock options were granted to the named executive officers:

#### **Options Granted During the Year Ended March 31, 2008**

Name	Securities Under Options Granted	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Edward S. Sampson	59,375	7.1%	\$93.00	\$5,521,875	November 22, 2009
Edward S. Sampson	59,375	7.1%	\$93.00	\$5,521,875	November 22, 2010
Edward S. Sampson	59,375	7.1%	\$93.00	\$5,521,875	November 22, 2011
Edward S. Sampson	59,375	7.1%	\$93.00	\$5,521,875	November 22, 2012
Edward S. Sampson	178,125	21.2%	\$89.99	\$16,029,469	January 9, 2013
Murray E. Hesje	37,500	4.5%	\$99.00	\$3,712,500	June 22, 2012
William T. Hornaday	50,000	6.0%	\$89.99	\$4,499,500	January 9, 2013

The following table sets forth information with respect to each exercise of options during the fiscal year ended March 31, 2008 by the named executive officers and with respect to all options held by the named executive officers and still outstanding on March 31, 2008:

**Aggregated Option Exercises During the Year Ended March 31, 2008 and  
Financial Year-end Option Values**

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at March 31, 2008 (#) Exercisable / Unexercisable	Value of Unexercised in the Money Options at March 31, 2008 <sup>(1)</sup> (\$) Exercisable / Unexercisable
Edward S. Sampson	878,125	56,024,156	328,125 / 921,875	10,303,593 / 14,232,188
Murray E. Hesje	-	-	37,500 / 150,000	759,375 / 2,278,125
William T. Hornaday	70,000	2,534,200	192,500 / 256,250	7,103,375 / 5,854,688

**Notes:**

- (3) The value of unexercised options at March 31, 2008 was based on a closing price for the Corporation's Common shares on the TSX on March 31, 2008 of \$83.25.

The option agreements specify the date of expiry for each option granted. Edward S. Sampson had 878,125 options set to expire during the year ended March 31, 2008. Accordingly, he exercised the options to purchase 878,125 Common shares.

**Retirement Plans**

The Corporation has no retirement plans for its employees.

**Directors' and Officers' Liability Insurance**

In November 2004, the Corporation obtained directors' and officers' liability insurance in the aggregate amount of US\$30,000,000.

**Termination of Employment, Change in Responsibilities and Employment Contracts**

In October and November of 2003, the Board implemented a program of putting in place change of control agreements, which will provide for payments in the event of a "change of control" of the Corporation. Pursuant to this program and the agreements entered into with respect thereto with each of the named executive officers and others, in certain circumstances when a change of control of the Corporation occurs, payments will be made to (i) Edward Sampson, as the Chairman of the Board, President and Chief Executive Officer of the Corporation, in an amount equal to two years' salary plus the amount of the bonus received in the previous year, (ii) each of the remaining members of senior management of the Corporation (including William Hornaday as Chief Operating Officer and Murray Hesje as Chief Financial Officer of the Corporation) in an amount equal to 18 months' worth of their respective salaries plus the amount of the bonus received by them in the previous year, (iii) each of the middle management and senior professionals of the Corporation in an amount equal to 12 months' worth of their respective salaries plus the amount of the bonus received by them in the previous year, (iv) each of the junior professionals and clerical staff of the Corporation in an amount equal to three months' worth of their respective salaries plus one month for each year of service to the Corporation to a maximum of 12 months plus the amount of the bonus received by them in the previous year, and (v) each of the non-management directors of the Corporation in an amount equal to \$100,000. In addition, upon the occurrence of a change of control, all outstanding options will immediately vest and become exercisable. The definition of "change of control" in these agreements includes (i) a change in ownership of Common shares which results in a person or group of persons acting jointly or in concert (or their affiliates or associates) being in a position to exercise effective control of the Corporation (which shall be deemed to include ownership or control of in excess of 50% of the Common shares) and (ii) the sale, lease or transfer of all or substantially all of the assets of the Corporation.

## **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets out information with respect to compensation plans under which equity securities of the Corporation were authorized for issuance as at March 31, 2008:

<b>Plan Category</b>	Number of securities to be issued upon exercise of outstanding options, warrants and rights <b>(a)</b>	Weighted-average exercise price of outstanding options, warrants and rights <b>(b)</b>	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <b>(c)</b>
Equity compensation plans approved by securityholders <sup>(1)</sup>	3,219,725	\$65.02	1,685,715
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>3,219,725</b>	<b>\$65.02</b>	<b>1,685,715</b>

**Note:**

- (1) The number of securities available for issuance under the equity compensation plan approved by securityholders is 10% of the number of outstanding securities of the Corporation.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No informed person of the Corporation (meaning any director or executive officer of the Corporation, any insider of the Corporation, and any director or executive officer of a person or company that is itself an informed person of the Corporation), nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, has had any material interest in any transaction or proposed transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries at any time since the beginning of the most recently completed financial year of the Corporation.

## **CORPORATE GOVERNANCE PRACTICES**

NP 58-201 provides guidance on corporate governance practices. These guidelines, while not mandatory, deal with the constitution of boards of directors and board committees, their functions, their independence from management and other means of addressing corporate governance practices. National Instrument 58-101 *Disclosure of Corporate Governance Practices* requires that if management of an issuer solicits proxies from its securityholders for the purpose of electing directors, certain prescribed disclosure respecting corporate governance matters be included in its management information circular.

Set out below is a description of the Corporation's current corporate governance practices, relative to Form 58-101F1 requirements (which are set out below in italics).

### **1. BOARD OF DIRECTORS**

*Disclose the identity of directors who are independent.*

C. J. (Jim) Cummings, Walter DeBoni, Conrad Kathol and Wendell W. Robinson are independent, unrelated directors of the Corporation.

*Disclose the identity of directors who are not independent, and describe the basis for that determination.*

Edward S. Sampson and William T. Hornaday are not independent directors as they are both executive officers of the Corporation.

*Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.*

A majority of the Corporation's directors are independent.

*If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.*

The following directors of the Corporation sit on the boards of other reporting issuers listed on the TSX:

- C. J. (Jim) Cummings sits on the board of Kroes Energy Inc.
- Walter DeBoni sits on the board of ARC Resources Ltd. (the administrator of ARC Energy Trust (AET.UN)) and Sterling Resources Ltd. (SLG).

*Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.*

The independent directors of the Corporation meet regularly without non-independent directors and management at the conclusion of each scheduled Board meeting. There were 8 board meetings held since April 1, 2007.

In addition, the Audit Committee and the Compensation Committee are comprised entirely of independent directors. Meetings of the Committees provide a forum for open and candid discussion among the Corporation's independent directors. There were 14 committee meetings held since April 1, 2007.

*Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.*

The Chairman of the Board is Mr. Sampson who, as an executive officer, is not an independent director. The Corporation's independent directors each play an important leadership role on the Board and have sufficient influence on Board decisions. To date, a lead director or independent chair has not been considered necessary.

*Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.*

Name	Board Meeting Attendance
Edward S. Sampson	8/8
C. J. (Jim) Cummings	8/8
Walter DeBoni	8/8
William T. Hornaday <sup>(1)</sup>	4/4
Conrad P. Kathol	8/8
Wendell W. Robinson	8/8

**Note:**

(1) William T. Hornaday was elected to the board on August 15, 2007.

## **2. BOARD MANDATE**

*Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.*

The Board does not have a written mandate. However, the Board has responsibility to ensure the long-term financial viability and operational efficiency of the Corporation and to generally further the Corporation's objectives by establishing policies and procedures and implementing, directing and monitoring same by:

- selecting, appointing and evaluating the Chief Executive Officer;
- handling the succession of the Board;
- ensuring an appropriate orientation program for new directors;
- assessing the contribution of the Board, its committees and the directors annually;
- approving a communications policy for the Corporation; and
- ensuring that the Chief Executive Officer performs efficiently and in accordance with the Board's mandate by:
  - reviewing and approving the strategic direction of the Corporation, establishing a strategic planning process and monitoring performance versus plans;
  - reviewing and approving annual budgets and corporate and objectives and monitoring performance and compliance;
  - identifying the principal risks to the Corporation and ensuring the implementation of systems to manage such risks;
  - reviewing the integrity of internal control and management information systems;
  - reviewing and approving succession, including approving, training and monitoring the performance of senior management personnel;
  - reviewing and approving the compensation of senior management personnel; and
  - discharging his duties in accordance with corporate governance processes and procedures.

## **3. POSITION DESCRIPTIONS**

*Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.*

The Board has not developed written position descriptions for the Chairman of the Board (the "Chairman") and the chair of each board committee. However, the Board expects the Chairman to provide leadership to enhance Board effectiveness and the Chairman is explicitly, fully responsible for ensuring that the Board carries out its responsibilities effectively, and that:

- the responsibilities of the Board are well understood by both the Board and senior management and that the delineation of Board and management responsibilities is clearly understood and respected;
- the Board works as a cohesive team and the Chairman provides the leadership essential to achieve this;
- the resources available to the Board (in particular, timely and relevant information, as discussed below) are adequate to support its work;
- the effectiveness of the Board and its committees is assessed on a regular basis;
- independent directors are given every opportunity to consider issues arising in the course of corporate activity in camera to ensure good corporate governance is implemented and maintained, and that independent directors act and vote independently from members of management.

In addition, the Chairman is responsible for:

- ensuring that relationships between the Board and management are conducted in professional and constructive manner;
- serving as the "hub" of all Board activity and providing effective Board leadership, overseeing all aspects of it direction and administration and ensuring that the Board is building a healthy corporate governance culture;
- ensuring the Board's discharge of its principal areas of responsibility;
- adopting procedures to ensure that the Board can conduct its work effectively and efficiently and setting agendas for and scheduling and managing meetings;
- scheduling Board meetings in consultation with committee chairs and the Corporate Secretary of the Corporation;
- overseeing membership in committees;
- chairing the directors' strategic planning meetings as may be required to supplement Board meetings;
- allotting sufficient time during Board meetings for serious discussion of agenda items and relevant issues of importance to directors;
- encouraging independent directors to ask questions and express viewpoints during Board meetings;
- dealing effectively with dissent and working constructively towards achieving consensus in arriving at decisions;
- facilitating effective communication between independent directors and management, both inside and outside of Board meetings;
- working with and assisting the officers in representing the Corporation to its external stakeholders, such as investors, strategic partners, creditors, customers, suppliers, the media, governments and the public generally;
- recommending to the Board the appointment of the Corporate Secretary of the Corporation;

- overseeing the administration of the annual Board committee and director assessments;
- participating in the orientation of new directors and continuing education of current directors;
- retaining expert consultants on behalf of the Board when needed; and
- responding to potential conflict of interest situations.

*Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.*

The Board and Chief Executive Officer have not developed a written position description for the Chief Executive Officer. However, the Chief Executive Officer must have such skills and abilities appropriate to the appointment as Chief Executive Officer as determined by the Corporation's Compensation Committee and the Board. The Chief Executive Officer is responsible for acting honestly and in good faith with a view to the best interests of the Corporation and exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Chief Executive Officer is charged with the specific duties set out below and shall have such other powers and duties as the Board may delegate. The Chief Executive Officer must:

- provide leadership and vision to the Corporation and promote the Corporation's goals of leadership in profitability and growth with an overarching commitment to sustainable development;
- develop a strong organization with the right people in the right positions;
- provide general supervision and management of the day-to-day affairs of the Corporation;
- develop a strategic and financial plan for review and approval by the Board and effectively implement the approved plan;
- develop an annual capital and exploration budget for review and approval by the Board and effectively implement the approved budget;
- develop senior management succession and development plans and report to the Board at least annually on such plans;
- recommend to the Board candidates for appointment as officers of the Corporation;
- recommend appointments to senior management, monitor performance of senior management and provide feedback and training as appropriate;
- communicate in a timely fashion with the Board on material matters affecting the Corporation;
- manage relationships with the Corporation's stakeholders;
- ensure appropriate policies and procedures of the Corporation are developed, maintained and disclosed; and
- provide appropriate certifications regarding the Corporation and its activities as may be required from time to time.

The Chief Executive Officer presents annual targets to the Compensation Committee for approval, which targets must consist of individual and corporate goals. The Chief Executive Officer reviews annually with the Compensation Committee the Chief Executive Officer's performance against such targets.

#### **4. ORIENTATION AND CONTINUING EDUCATION**

*Briefly describe what measure the board takes to orient new directors regarding the role of the board, its committees and its directors and the nature and operation of the issuer's business.*

The Corporation has an orientation program for its new directors. The orientation program is designed to build each director's understanding of and identification with the Corporation by:

- providing an introduction to the Corporation, notably through an interview with the Chairman of the Board; and
- providing presentations on and tours of the Corporation's operations, in all countries, at any time;
- providing an introduction to selected members of the Corporation's team, notably through an interview with the Chairman and management;
- providing an overview of the Corporation's corporate governance;
- providing an introduction to governance practices;
- clarifying the expectations of directors, noting that this process will have begun from the initial contact of the director by the Corporation's Corporate Governance Committee;
- exposing the directors to the Corporation's organization structure; and
- acquainting directors with the Corporation's annual objectives and ongoing operations.

*Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors*

The Corporation provides educational information on relevant topics in the form of documents and formal presentations to the Board. The Corporation encourages the directors to enrol in courses and programs that will enhance their knowledge and skills in areas that are relevant to their roles as directors and committee members of the Corporation.

The directors of the Corporation are encouraged to make site visits and participate in a strategic planning session. The Corporation places an obligation on its directors to maintain a high level of knowledge of the industry and their professional skills.

#### **5. ETHICAL BUSINESS CONDUCT**

*Disclose whether or not the board has adopted a written code for the directors, officers and employees. Disclose how a person or company may obtain a copy of the code. Describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code.*

A written code of conduct has been implemented by the Corporation for all directors, officers and employees. A person may obtain a copy of the code by visiting the Corporation's page at [www.sedar.com](http://www.sedar.com). The board monitors compliance with the code through communications with management, reports through the whistleblower policy and employee signoff of compliance with the code.

*Describe any steps the board takes to ensure directors exercise independent judgment considering transactions and agreements in respect of which a director or executive officer has a material interest.*

Should such a circumstance arise, the matter would be referred to the Corporate Governance Committee for appropriate action.

*Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.*

The Corporation is committed to the highest standards of openness, honesty and accountability. To this end, in addition to the code of conduct applicable to employees, the Corporation has adopted a whistleblower program. This program provides an avenue for individuals to confidentially and anonymously report, directly to the Board, complaints and concerns regarding accounting, internal auditing controls or auditing matters without the fear of victimization, discrimination or disadvantage.

The Corporation also has a share trading policy. The share trading policy prescribes rules for Restricted Persons and Employees (as such terms are defined in the policy) with respect to trading in securities in the capital of the Corporation by these individuals when there is undisclosed material information or undisclosed pending material developments with respect to the Corporation.

## **6. NOMINATION OF DIRECTORS**

*Describe the process by which the board identifies new candidates for board nomination.*

The Corporation's Corporate Governance Committee, consisting entirely of independent directors, considers and recommends candidates to fill new positions on the Board created either by expansion or vacancies created by the resignation, retirement or removal of any of the Corporation's directors.

*Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.*

The Board does not have a separate nominating committee; however, the Corporate Governance Committee is charged with the responsibility for handling the nomination process. The Corporate Governance Committee is comprised entirely of independent directors. The fact that the members of the Corporate Governance Committee are independent ensures that the nomination process is objective.

## **7. COMPENSATION**

*Describe the process by which the board determines the compensation for the issuer's directors and officers.*

The Board has created a Compensation Committee to review and approve the compensation for the officers of the Corporation and to ensure that compensation is fair, equitable and consistent with that of its industry peers. The Corporation compensates its executive officers through a base salary, an annual performance based bonus pool and the award of long-term stock options.

The Compensation Committee generally reviewed compensation arrangements paid by a number of Canadian public oil and gas companies that either had growth profiles similar to that of Niko, were of similar size and complexity to Niko, or had significant international operations. The Compensation Committee then set the salary within the context of the Corporation's overall compensation package of salary, bonus potential and options, which would allow Niko to remain competitive and be consistent with the qualitative parameters referred to above.

Under Niko's bonus pool, the Compensation Committee allocates a basic aggregate amount on an annual basis. The potential amount of the bonus pool is the sum of the aggregate amount of the current annual salary of each of the participants in the plan. At the beginning of each year, targeted goals are established that are based upon the Corporation's budget and development plan for the year. The targeted goals are for the Corporation as a whole such that the potential size of the pool is determined by the total performance of

all of the key employees of the Corporation in participating toward the achievement of these predefined objectives. Also see "Directors' and Executive Officers' Compensation – Report on Executive Compensation – Bonus".

The Board believes that the grant of options to employees and officers of the Corporation and share ownership by these employees and officers serves to motivate achievement of the Corporation's strategic objectives and the result will benefit all Shareholders. Stock options are awarded to employees of the Corporation by the Board based upon the recommendation of the Chief Executive Officer and the Chief Operating Officer, who base their decisions upon the level of responsibility and contribution of the individuals toward the Corporation's objectives and goals. Also, the Board considers the overall number of stock options that are outstanding relative to the number of outstanding Common shares in determining whether to make any new grants of stock options and the size of such grant.

The Board, through the Compensation Committee, periodically reviews the adequacy and form of compensation of the Board. Directors are paid \$25,000 per annum as compensation for acting as directors of the Corporation. The directors are reimbursed for any third party costs that they have paid personally, but only for those costs incurred while acting on behalf of the Corporation. Members of the Board are entitled to receive options under the Corporation's stock option plans.

The Board grants options to directors as a means to compensate them for their knowledge and advice to the management of the Corporation and for their involvement in determining and directing the strategic direction of the Corporation. The number of options granted are based upon competitive requirements to retain experienced competent professionals and to ensure concerted attention is paid to critical corporate matters prior to and during meetings of the Board, to technical matters for Board Committees, and to consultation and advice to management on a continuous basis related to operating, financial and governance matters.

*Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.*

The Compensation Committee is composed entirely of independent directors.

*If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.*

The Compensation Committee is responsible for reviewing executive compensation matters and making recommendations to the Board for its approval.

The Compensation Committee considers several factors when making recommendations to management and the Board for compensation levels of key management personnel. These factors included (i) the competitive nature of salaries within the oil and gas exploration and development business, (ii) the fact that the Corporation's business is predominantly based in Asia, (iii) the respective level of responsibility and authority of each officer, and (iv) the exercise of the duties of the respective officers in relation to the successful operation of the business and creation of Shareholder value. The Corporation compensates its executive officers through a base salary, an annual performance-based bonus pool and the award of long-term stock options.

*If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.*

Towers Perrin has been retained to provide an Energy Industry Total Rewards Database Report. This report was provided to the Compensation Committee. The report was used to assist the Compensation Committee in determining the compensation for the Corporation's Executive Officers.

## **8. OTHER BOARD COMMITTEES**

*If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.*

In addition to the Audit Committee and Compensation Committee, the Board has a Corporate Governance Committee and an Environment and Reserve Committee.

The Corporation's Corporate Governance Committee has a mandate to:

- make recommendations to the Board with respect to nominees to the Board;
- assess the effectiveness of the Board and of its committees;
- recommend committee members and the chairs of committees;
- develop and maintain appropriate orientation programs for new directors;
- monitor procedures to ensure that the Board can function independently of management;
- ensure that there is a process in place to allow all levels of employees access to the Board to bring "whistleblower" issues to the Board which are not being adequately dealt with by management of the Corporation;
- ensure that the Corporation's legal counsel, external engineering consultants and external auditors are currently instructed to make the Corporation aware of current and evolving legislation, regulations and guidelines relating to applicable corporate governance issues;
- establish procedures, as required, to enable individual directors to engage outside advisors under appropriate circumstances; and
- develop the Corporation's approach to corporate governance.

The mandate of the Corporation's Environment and Reserve Committee is as follows:

### **Purpose**

The purpose of the Environment and Reserve Committee (the "Reserve Committee") is to provide assistance to the Board with respect to Niko's:

- selection and remuneration of the Reserves Evaluator;
- establishment of processes and procedures to ensure flow of relevant information to the Reserves Evaluator;
- review of the annual and periodic independent engineering reports;
- compliance with regulatory requirements;
- disclosure of reserves information;

- review of the disclosed oil and gas reserves data; and
- review of the reserves data of the Reserves Evaluator charged with evaluating Niko's reserves.

### **Composition, Procedures and Organization**

1. The Reserve Committee will be comprised of three or more directors as determined from time to time by resolution of the Board.
2. The majority of the members of the Reserve Committee must be independent and, as such, must be free from any material relationship that may interfere with the exercise of his or her independent judgment as a member of the Reserve Committee.
3. Consistent with the appointment of other Board committees, the members of the Reserve Committee will be appointed by the Board at the first meeting of the Board following each annual general meeting of the Shareholders or at such other time as may be determined by the Board.
4. The Reserve Committee will designate the Chairman of the Reserve Committee by majority vote. The presence in person or by telephone of a majority of the Reserve Committee's members constitutes a quorum for any meeting.
5. All actions of the Reserve Committee will require a vote of the majority of its members present at a meeting of such committee at which a quorum is present.
6. All members of the Reserve Committee must be familiar with oil and gas evaluation procedures at the time of appointment or become so within a reasonable period of time following such appointment. The competence of the members of the Reserve Committee in this regard will be determined by the Board in the exercise of its business judgment.
7. At least one member of the Reserve Committee must have expertise in oil and gas evaluation processes and procedures, as such qualification may be determined in the business judgment of the Board.

### **Accountability and Reporting**

The Reserve Committee is accountable to the Board. The Reserve Committee must provide the Board with a summary of all meetings and its recommendations together with a copy of the minutes of each such meeting. If applicable, the Chairman of the Reserve Committee will provide oral reports as discussed.

All information reviewed and discussed by the Reserve Committee at any meeting must be retained and made available for examination by the Board.

### **Meetings**

The Reserve Committee will meet with such frequency and at such intervals as it determines necessary to carry out its duties and responsibilities.

Generally, the Reserve Committee will meet at least two times annually: once prior to the selection of the Reserves Evaluator and once prior to public release of the annual reserve estimates. The Reserve Committee may also be directed by the Board to meet more frequently, as circumstances warrant.

The Chairman of the Reserve Committee will appoint a director, officer or employee of Niko to act as secretary for the purpose of recording the minutes of each meeting.

### **Reserves Responsibilities**

The Reserve Committee must:

- annually review with management of Niko the selection or retention, as the case may be, of a recognized Reserves Evaluator that is qualified to prepare an evaluation of the oil and gas reserves of Niko in a manner consistent with industry and regulatory standards and requirements and, in the case of a proposed change in the Reserves Evaluator, determine the reasons for the proposal and whether there have been any disputes between the Reserves Evaluator and management of Niko;
- annually review and approve the expected fees of the Reserves Evaluator;
- receive the annual independent evaluation of the oil and gas reserves of Niko and review the scope of work, reserves estimates and any material changes to Niko's reserves;
- consider and review the input of management into the independent evaluation, the processes for providing information and the key assumptions used therein and review Niko's procedures relating to disclosure of information with respect to oil and gas activities, including its procedures for complying with the disclosure requirements of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101");
- meet with representatives of the Reserves Evaluator to consider and review the overall preparation of the evaluation, including:
  - the independence of the Reserves Evaluator;
  - details of arrangements, if any, between Niko and the Reserves Evaluator;
  - sources of information used in preparing the evaluation;
  - access to information;
  - production estimates;
  - price forecasts;
  - sales contracts;
  - operating and capital cost estimates;
  - ownership interests;
  - royalty burdens;
  - reconciliation of reserve additions and revisions;
  - results of field inspections, if any; and
  - matters that would have an effect on the quantity of reserves, production profile or estimated cash flow from the oil and gas assets;
- review compliance with applicable regulations and policies, including NI 51-101, and, in particular, before filing the reserves data and the report of the Reserves Evaluator referred to in section 2.1 of NI 51-101, meet with management and the Reserves Evaluator to (i) determine whether any restrictions affect the ability of the Reserves Evaluator to report on the reserves data without reservation, (ii) review the reserves data and the report of the Reserves Evaluator, and (iii) review and approve the content and filing of Form 51-101F1 *Statement of Reserves Data and*

*Other Oil and Gas Information and the filing of Form 51-101F2 Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor;*

- review and execute Form 51-101F3 Report of Management and Directors on Oil and Gas Disclosure; and
- present reports to the Board of consideration, where necessary.

## **9. ASSESSMENTS**

*Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.*

Directors complete an annual Board Effectiveness Questionnaire commenting on Board responsibility, organization, composition, independence from management, operations, effectiveness, and performance. The results of the questionnaires are analyzed by the Chairman of the Board who then recommends and implements changes to enhance the overall performance of the Board and monitors ongoing progress in any areas identified for improvement.

## **AUDIT COMMITTEE INFORMATION**

For information on the charter of the audit committee of the Board and for the disclosure regarding the audit committee required under Canadian Securities Administrators' Multilateral Instrument 52-110 *Audit Committees*, please see the information provided under the heading "Audit Committee" contained in the Corporation's Annual Information Form for the year ended March 31, 2008, which document can be found at the Corporation's page on SEDAR at [www.sedar.com](http://www.sedar.com).

## **OTHER MATTERS TO BE ACTED UPON**

Management of the Corporation is not aware of any matter to come before the Meeting other than as set forth in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the Common shares represented by proxy solicited hereby will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

## **APPROVAL**

The contents and sending of this Information Circular have been approved in substance by the Board.

## **ADDITIONAL INFORMATION**

The Corporation shall provide to any person, without charge, following a written or oral request to Mr. Edward Sampson, Chairman of the Board of the Corporation, by mail at Suite 4600, 400 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2 or by telephone at (403) 262-1020, copies of this Information Circular, the Corporation's annual financial statements and management's discussion and analysis and any interim financial statements since March 31, 2008. Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Furthermore, financial information is provided in the Corporation's comparative financial statements and MD&A for its most recently completed financial year.